

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 SANTO DOMINGO 006664

SIPDIS

SENSITIVE

DEPT FOR WHA - A/S NORIEGA,DAS DESHAZO; WHA/CAR, WHA/PPC,  
WHA/EPSC, INR/AA; NSC FOR SHANNON; TREASURY FOR U/S TAYLOR,  
LEE, TOLOUI; SECDEF FOR OSD

E.O. 12958: N/A

TAGS: [PGOV](#) [EFIN](#) [ETRD](#) [DR](#)

SUBJECT: DOMINICAN ELECTIONS SERIES #1: SIX MONTHS TO THE  
PRESIDENTIALS

11. (SBU) Following is the first in a series on the  
presidential elections in the Dominican Republic.

(begin text)

#### SIX MONTHS TO THE PRESIDENTIALS

Incumbent Hipolito Mejia of the Dominican Revolutionary Party (PRD) is hitting about 20 percent in various polls in the Dominican Republic, while former president Leonel Fernandez (1996-2000) of the Dominican Liberation Party (PLD) is comfortably scoring almost 60 percent when matched with any of the other declared aspirants. Those polls come well ahead of any serious direct debate between the two; researchers are varied and may be slanting questions; though far apart, the numbers will narrow. Perpetually in third place, Eduardo Estrella is dealing with a grumbling opposition within the Reformist Social Christian Party (PRSC) but is generally considered to be an unlikely third-place (and perhaps third-rate) performer.

Six months of campaigning will change those numbers.

President Mejia should not be counted out, despite widespread and deep discontent with his economic policies. "He has a fuel to burn yet," Santo Domingo's most prominent attorney told Ambassador Hertell last week. Mejia is dividing his time between presiding and running for office. In both roles he is perpetually in motion.

As President, Mejia is working toward an accommodation with the IMF following his precipitous decision in early September to buy back two electricity distribution firms from Spanish firm Union Fenosa. He obtained from monetary authorities a 5.15 percent increase in exchange charges for imports and on November 18 finally got a reluctant PRD-dominated Senate to approve a 5 percent levy on exports (the measure now goes to the House). He successfully challenged exporters and hoteliers to commit to defined contributions to meet GODR revenue goals previously set with the IMF. He has just ridden out a mostly peaceful -- and successful -- national strike on November 11, while reminding citizens in rhetoric and with a display of police and military presence that he is still in charge.

As candidate for re-nomination, Mejia is playing a boisterous game with six rivals within the PRD and just secured a formal agreement from the three most prominent of them to contest the nomination in a party convention in December. The disbursement this week of USD 100 million by the Inter-American Development Bank for the social sector gives him the means to deliver on small-scale projects across the country. Mejia pitches his comments in vigorous and frequently vulgar colloquialisms toward the common citizen and seeks to come across as a "crafty peasant."

Fernandez, in contrast, is busy sounding presidential. Heading his own lavishly-funded 'Global Foundation for Development,' he recently traveled to deliver speeches in Madrid, San Juan and New York (Columbia University and the UN). He comfortably criticizes Mejia for the fall in the value of the peso, for the banking scandals, for falling into the hands of the IMF -- in brief, for all the country's ills. In September at a political event he went so far as to assert the collapse of the (notoriously corrupt) Banco Intercontinental (Baninter) "was not the fault of the bank's officers, it was the fault of the government." Intellectuals, one of the PLD's traditional constituencies, have begun to fulminate about Fernandez's "triumphalism" and his mendacity. The PLD continues presenting him as a smooth-talking statesman blameless for Dominican ills.

There's a long game ahead. There are a lot of longtime PRD stalwarts mooting the idea that Mejia would do best for the country simply by dropping his campaign for re-election. If Mejia secures the PRD nomination -- and his command of patronage and party structures suggests that he can if he

wants to do so - - then Hipolito Mejia will carry out some serious savaging of Leonel Fernandez. Many expect that Fernandez's acceptance of generous retainers from Baninter will provide the starting point.

Some big issues will affect the fortunes of both, and of all candidates:

- - The IMF and austerity. With inflation approaching 40 percent and the peso at barely half its 2002 value in exchange markets, the challenge to Mejia is to make the IMF agreement comprehensible to the public and to make it work. He will need to convince them that Fernandez is at least partly to blame for the corruption and fraud that drove the government to seek IMF help. Fernandez will put the blame for every pinch and groan on Mejia.

- - Corruption and impunity of malefactors. Each will seek to tar the other. The enrichment of associates and families will be alleged; Fernandez's Global Foundation, set up and constructed with generous private donations, will be presented as built on graft.

- - Free trade negotiations with the United States. Mejia's team is ready and is convinced of the possible benefits to gain in the tight schedule of negotiations, January to March of 2004, just as the election race reaches white heat. Dominican negotiators understand the parameters and the limits set by the U.S.-Chile model. Mejia will portray the outcome to his advantage, whether an agreement is reached or not. Fernandez will criticize every step of the way, suggesting undue U.S. influence and scaring farmers and workers. Conservative voters may perceive Fernandez becoming more firmly anti-U.S. and will recall even more vividly his establishment of diplomatic relations with Cuba.

- - Electricity. There's plenty of blame for both sides on this one and little prospect that power supplies will improve significantly before the May elections. The privatization of state enterprises occurred on Fernandez's watch and was unpopular then; the continuing blackouts and the government failure to make the system work are Mejia's headache. Some observers think that Mejia can take credit for throwing out the "rascals" of Union Fenosa, while others think his agreement to buy their shares at a premium was the worst possible solution.

- - Dominican soldiers in Iraq. Mejia knows that any injury or death in the Quisqueya battalion in Iraq will prompt an outcry that could affect the course of the elections. Dominican partnership in the Coalition of the Willing will be hotly debated and Fernandez will use it to argue that Mejia is too close to the United States. We believe that Mejia will be steadfast in seeing the battalion serve out his formal twelve-month commitment, even despite these risks, especially if he perceives greater appreciation from Washington.

In sum, the game is just beginning in the Dominican presidential elections. Embassy Santo Domingo expects to be providing a lively account throughout the next six months. This piece is the first of a series of reports, which we aim to make them short, focused, frequent and relatively informal.

(end text)

12. (U) Drafted by: Michael Meigs.  
KUBISKE